

AR42





# WESTEEL-ROSCO LIMITED

Westeel-Rosco is the largest manufacturer and distributor of a wide range of sheet metal products in Canada. These products are used in industrial, commercial, institutional, and highway construction and in the agricultural industry. The Company also manufactures pre-engineered buildings and residential products in addition to providing custom metal

processing services to manufacturers and contractors. Operations are conducted from a network of manufacturing plants, warehouses and sales outlets stretching from Halifax to Vancouver, serving domestic and international markets. Westeel-Rosco is the result of the amalgamation of a number of companies dating back to 1852.

## SUBSIDIARIES

P. Graham Bell Associates Limited  
Northern Culverts and Metal Products Ltd.  
Stran-Steel (Canada) Limited  
WRL Properties Ltd.  
Westeel-Inc.

## STOCK EXCHANGE LISTINGS

Montreal	Winnipeg
Toronto	Vancouver

## TRANSFER AGENTS AND REGISTRAR

National Trust Company  
Montreal, Toronto, Winnipeg, Calgary, Vancouver and  
its agent Canada Permanent Trust Company, Regina.

Front cover: Over 476,000 square feet of Westeel-Rosco steel floor deck was installed in the Eaton Centre office tower.

## ANNUAL MEETING

The Annual Meeting of Shareholders will be held at the Fort Garry Hotel in Winnipeg, Manitoba on April 27, 1977.

## BANKERS

The Toronto-Dominion Bank

## AUDITORS

Deloitte, Haskins & Sells

## INCORPORATION

By letters patent of amalgamation issued under the laws of Canada and dated December 31, 1965, Westeel Products Limited and Rosco Metal Products Ltd., a wholly owned subsidiary, were amalgamated to form Westeel-Rosco Limited.

## EXECUTIVE OFFICES

1 Atlantic Avenue,  
Toronto, Ontario, M6K 1X7

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## BOARD OF DIRECTORS

P.F. FOWLE * +	Toronto
Chairman of the Board, Westeel-Rosco Limited	
N. J. ALEXANDER *	Winnipeg
Investment Consultant	
E. C. BOVEY +	Toronto
Chairman of the Board, Norcen Energy Resources Ltd.	
R. M. CALHOUN +	Toronto
President, Westeel-Rosco Limited	
W. D. DERTELL	Winnipeg
Vice-President, Westeel-Rosco Limited	
S. D. ELDER	Toronto
Vice-President Finance & Secretary, Westeel-Rosco Limited	
P. H. FOX +	Richmond, Va.
Executive Vice President, Reynolds International, Inc.	
President, Reynolds Aluminum Export Corporation	
G. GRODECKI +	Toronto
Executive Vice-President, Westeel-Rosco Limited	
W. S. MARTIN, Q. C. *	Winnipeg
Partner, Aikins, MacAulay & Thorvaldson	
A. PICHE *	Cap-de-la-Madeleine
Executive Vice-President and Managing Director	
Reynolds Aluminum Company of Canada Limited	
J. L. REYNOLDS	Richmond, Va.
Chairman and Chief Executive Officer,	
Reynolds International, Inc.	
Executive Vice President, Reynolds Metals Company	
A. ROBERTSON	Banff
Company Director	

\* Member of Audit Committee

+ Member of Long-Term Planning Committee

## OFFICERS

P. F. FOWLE	Chairman of the Board
R. M. CALHOUN	President
G. GRODECKI	Executive Vice-President
S. D. ELDER	Vice-President Finance and Secretary
P. F. DAVIDSON	Vice-President
W. D. DERTELL	Vice-President, Prairie Region
R. J. DURRANT	Vice-President, Pacific Region
H. DUTTON	Vice-President, Stran-Steel Division
A. H. MACK	Vice-President, Construction Products
J. E. VINE	Treasurer and Assistant Secretary



# FINANCIAL HIGHLIGHTS OF THE YEAR 1976

	1976	1975
SALES . . . . .	\$ 132,529,000	\$ 121,035,000
EARNINGS FROM OPERATIONS . . . . .	5,668,000	9,099,000
per share * . . . . .	2.92	4.69
DIVIDENDS: PAID DURING THE YEAR . . . . .	2,131,000	1,550,000
per share . . . . .	1.10	.80
SHAREHOLDERS' EQUITY . . . . .	39,723,000	36,186,000
per share . . . . .	20.49	18.67
CAPITAL EXPENDITURES . . . . .	3,535,000	5,249,000
DEPRECIATION . . . . .	1,534,000	1,045,000
WORKING CAPITAL . . . . .	25,664,000	24,236,000
AVERAGE NUMBER OF EMPLOYEES . . . . .	2,210	2,271

\* Per share data in both years based on 1,938,416 common shares.



Porcelain enamel on steel panels by P. Graham Bell Associates Ltd., was the popular choice to brighten and protect the facade of the new Eaton Centre.



## REPORT TO SHAREHOLDERS

Sales of the Company in 1976 were \$132,529,000, a gain of 9.5% over 1975. This was a satisfactory performance to the degree that we maintained our position in the marketplace under intensely competitive conditions.

Earnings from operations were \$5,668,000 compared to \$9,099,000 in 1975, representing a decrease of 38%. Earnings per share were \$2.92 versus \$4.69.

As anticipated, Canada experienced a cut-back in industrial and commercial construction, resulting in a significant increase in competition for the business available, particularly in the last half of the year. Our non-construction products were also affected by increased production capacity in the industry. At the same time, the Company experienced higher production costs through increases in materials, services, transportation, wages and salaries which were not recoverable in current markets. Lengthy work stoppages in the construction industry in the Provinces of British Columbia and Quebec also had an adverse impact.

Comparing 1976 results with the record earnings of 1974 and 1975, the earnings of these previous years were significantly influenced by inflationary factors, particularly through inventory appreciation, which was not a material factor in 1976.

The Company's financial position remains strong. Working capital increased to \$25,664,000 in 1976 from \$24,236,000 in 1975, and the long-term debt of the Company increased by \$12,000 to \$4,012,000. Dividends paid in 1976 were \$2,131,000 or \$1.10 per share.

During the year the number of Directors was increased from ten to twelve and several changes were made in the Board of Directors and in the senior management of the Company. Messrs. W.D. Dertell, S.D. Elder and G. Grodecki, all of whom are Officers of the Company, were elected to the Board. In addition, Mr. Grodecki, formerly Vice-President, Manufacturing, was appointed Executive Vice-President; and Mr. Elder, formerly Vice-President and Secretary-Treasurer, was appointed Vice-President, Finance and Secretary. Mr. J.E. Vine joined the Company to become Treasurer and Assistant Secretary.

Mr. Milton A. Buell retired from the Board of Directors on April 28, 1976. During forty years with the Company, Mr. Buell served in key management roles, including that of Executive Vice-President, from which he retired in 1969. We take this opportunity to thank him for the major contribution he made to the success of our Company.

Seven labour agreements were negotiated in 1976 without work stoppages. These contracts covered plants representing about 60% of all hourly-rated employees.

Since 1972 we have invested approximately \$16,000,000 in expanding and up-grading our manufacturing and distribution capability and in developing

new, more efficient methods of working with metal. We plan to continue this program where there is a clearly-defined need. We have identified other sources of future growth as follows:

- Growth through acquisitions which both complement our present operations and provide new market opportunities. The acquisition of Northern Culverts and Metal Products Ltd. in 1976 enabled us to broaden our market penetration in Northern British Columbia.
- Develop new products for the consumer market, which up to now has represented only a small portion of the Company's total business. Our new "Leisure-Time" steel fence, which is being retailed to the homeowner, illustrates this new thrust.
- Build our international business, which offers significant potential for Westeel-Rosco products and technology.

In the 1975 Annual Report we predicted that 1976 would be "a most demanding year". We view 1977 in much the same light. The outlook for the construction industry suggests that the current very competitive markets will persist at least for the first half of 1977. The timing of a recovery in construction markets depends on the resumption of higher levels of capital expenditures in both the private and public sectors. For agricultural products, the present relatively low prices of grains and the poor winter moisture conditions in Western Canada and Northern U.S.A. indicate a less favourable outlook than in 1976, and may produce a temporary slowing in the farm economy. The Company entered 1977 with a sales order backlog of \$21 Million compared with \$27 Million last year.

We are encouraged by the lower rate of inflation in Canada — a prerequisite to the resumption of sustained economic growth — and by the gradual recovery in the United States.

With growth-oriented and experienced management, ample manufacturing capacity, national coverage and wide product range as well as a sound financial base, the Company is in an excellent position to benefit substantially from a resumption of a strong rate of growth in the Canadian economy. The long-range outlook for Westeel-Rosco can be viewed with confidence.

We wish to convey our appreciation of the contribution made by employees of the Company during the year.

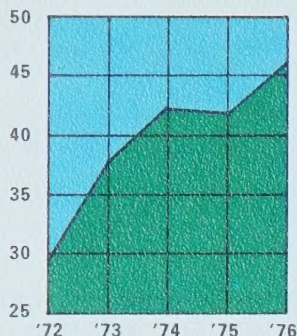
On Behalf of the Board,

P.F. FOWLE,  
Chairman of the Board.

R.M. CALHOUN,  
President.



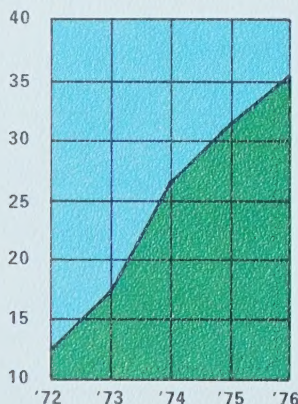
## BUILDING PRODUCTS



This is the largest product group, with sales of \$46.9 Million in 1976, a gain of 12.7% over 1975. Building Products include steel roof and floor decking and metal wall panelling for industrial, commercial and institutional construction. In 1976 Westeel-Rosco products were used in such projects as the Calgary Transit Complex, the Syncrude Project at Fort McMurray, Alberta, the Saint John Regional Hospital, The Steel Company of Canada Ltd.'s development at Nanticoke, Ontario, and Grands Etablissements Postaux, St. Laurent, Quebec.

The Stran-Steel Division and P. Graham Bell Associates are part of this group. Stran-Steel manufactures a wide range of pre-engineered buildings for industrial, commercial and recreational use, marketed through 70 franchised builder-dealers located across Canada. P. Graham Bell Associates manufactures porcelain enamel panelling. This product is featured in the new Toronto Eaton Centre, where it covers over 100,000 square feet of the exterior walls.

## AGRICULTURAL PRODUCTS



Agricultural Products, with sales of \$35.2 Million, a gain of 11.8% over 1975, is the second largest group. Major products are grain storage bins with capacities ranging from 1,350 to 500,000 bushels; grain handling systems; grain truck boxes and hoists; storage tanks for fuel and feed; farm roofing and siding; and anhydrous ammonia fertilizer tanks — a new product introduced in 1976. These products are marketed through dealers and distributors.

In 1976 Westeel-Rosco greatly expanded the maximum capacity of its grain bins. These new bins have a capacity of up to 500,000 bushels and provide an economical, safe storage facility for large commercial installations as well as grain terminals. They are an important addition to our grain handling, conditioning and storage systems.

The long-term outlook for agri business remains excellent in a world where the food needs of a growing world population will continue to make a heavy demand for greater productivity.

## HIGHWAY AND DRAINAGE PRODUCTS



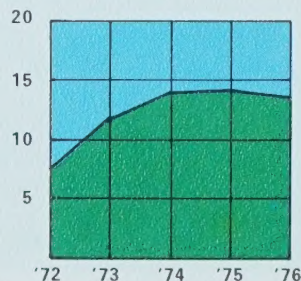
This group had sales of \$23.3 Million in 1976, an increase of 15.9% over 1975. Major products are culvert pipe, tunnel liner, bridge decking, guardrails, and structural plates for bridges and underpasses. These products are sold to governments, road building contractors, and to the natural resource industry.

During the year our highway and drainage products were used in major projects at the Toronto International Airport, the James Bay Hydro Electric Project in Quebec, British Columbia Railways at Australian Creek, B.C., and the Canadian National Railways in Northern Ontario.

Northern Culverts and Metal Products Ltd., located at Prince George and Terrace, B.C., was acquired in 1976. This has strengthened the Company's position in the Northern British Columbia market.

Despite recent capital spending cut-backs and deferments in the public and private sectors, we are optimistic about the future prospects for this product line. This optimism arises from expected growth of Canadian resource industries and the need for expanding transportation facilities.

## INDUSTRIAL PRODUCTS



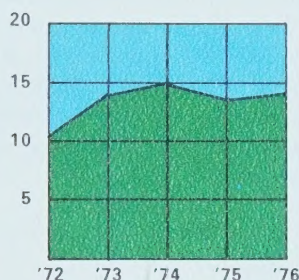


## INDUSTRIAL PRODUCTS - continued

Sales were \$12.9 Million in 1976, a decrease of 9.8% from 1975. This product line includes industrial tanks for storing fuels and chemicals; custom fabricated items for manufacturing, transportation and resource industries.

This group includes the Cubic Storage Division which manufactures material handling and racking systems. In 1976 this Division was awarded a contract for the storage racking system of the new Simpsons-Sears Limited warehouse in Regina. This storage racking system was specifically designed for fully-automated storage and to serve as the structural frame of the building. The roof decking and exterior wall cladding, also supplied by the Company, will be installed directly on the storage racking structure. This system has significant potential for warehouse construction in Canada.

## WAREHOUSE / RESIDENTIAL PRODUCTS



Sales were \$14.2 Million in 1976, a gain of 5.2% over 1975. This group comprises:

### 1. Metal Service Centre Operations

The role of the service centre is rapidly gaining in importance. Service centres provide a metal inventory service. By purchasing large mill ship-

ments, with consequent price economies, the centres break these down into smaller units for those manufacturers who cannot afford, or are unable to handle, large shipments. Through prefabrication operations such as slitting or cutting to exact size, service centres relieve customers of plant and equipment costs by this partial manufacturing function. Westeel-Rosco has strategically located its service centres and warehouses, making these services available for manufacturers on relatively short notice. With service centres and warehouses across Canada, the Company provides an extensive range of steel and aluminum products.

### 2. Residential Products

This group comprises the manufacture and distribution of eavestroughing, conductor pipe, the required accessories, and window wells. This spring the Company will introduce the new "Leisure-Time" privacy fence for the homeowner. This Westeel-Rosco designed fence will be sold through retail outlets, by major distributors such as Simpsons-Sears and Beaver Lumber, and through fencing contractors.

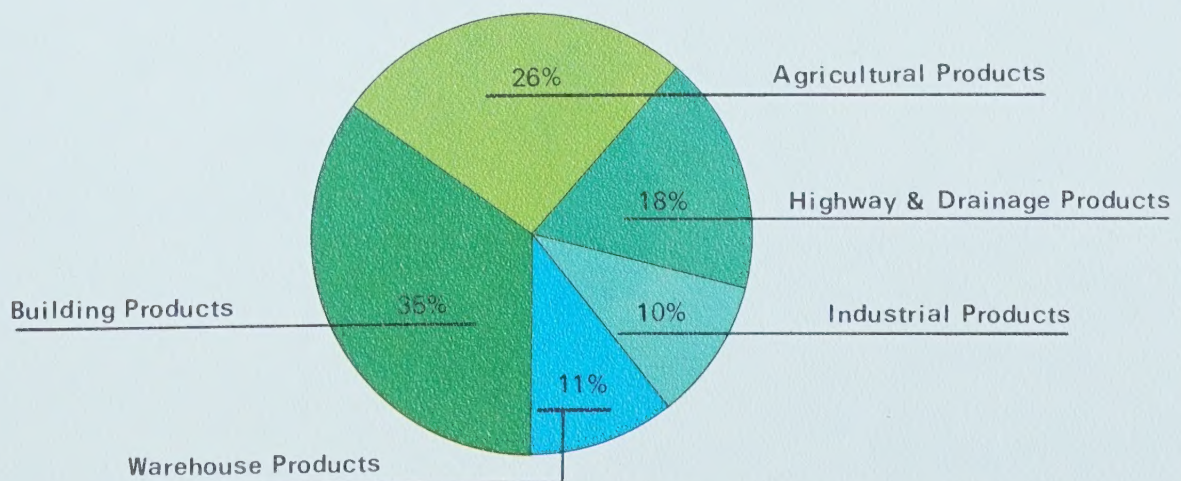
## INTERNATIONAL SALES

In 1976, Company products were exported to markets in the Ivory Coast, Nigeria, Australia, Central America, Europe, and the U.S.A. In addition, we concluded a licensing agreement with a Brazilian company to manufacture and sell our grain bins, and we are negotiating similar agreements for other products in Italy and the United Kingdom.

## WEST ROW INDUSTRIAL MALL

West Row Industrial Mall is now over 95% leased. The tenants are major corporations and governments.

## SALES BY PRODUCT GROUPS





## MANUFACTURING AND WAREHOUSE FACILITIES

In 1976 the Company invested approximately \$4 Million in new facilities and acquisitions, part of a continuing program to provide efficient, fully-integrated facilities to serve the different regional markets in Canada.

(See the map of Westeel-Rosco's manufacturing and warehouse locations on the inside back cover of this report.)

### British Columbia

Prince George and Terrace: The addition to our highway and drainage products of new manufacturing and distribution facilities through the acquisition of Northern Culverts and Metal Products Ltd.

Vancouver: The installation of a new roll-forming mill for building product floor and roof decking and siding.

### Alberta

Edmonton: Construction of a building to house a helical culvert pipe mill and the acquisition of a roll-forming mill for building product floor and roof siding.

### Manitoba

Winnipeg: The acquisition of a ten-acre site in Transcona and construction of a new culvert plant incorporating the first helical culvert pipe machine in Manitoba to better serve this market.

## NEW BRANCH OPERATIONS

Sudbury, Ont. In the fall of 1976 the Company opened a new branch in Sudbury, Ontario. This branch will warehouse the Company's products, providing improved service to Northern Ontario.

Prince George, B.C. The Company intends to expand the Northern Culverts and Metal Products Ltd. operations to sell and warehouse other Westeel-Rosco products that are required in Northern British Columbia. It is projected that the growth in the natural resources industries will create a strong demand for our products.



Strong, durable grain bins by Westeel-Rosco are a familiar sight in Canada's grain growing areas.



## FINANCIAL POSITION

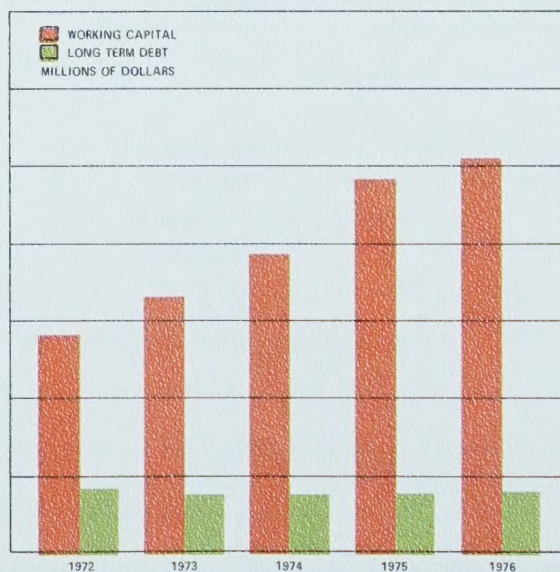
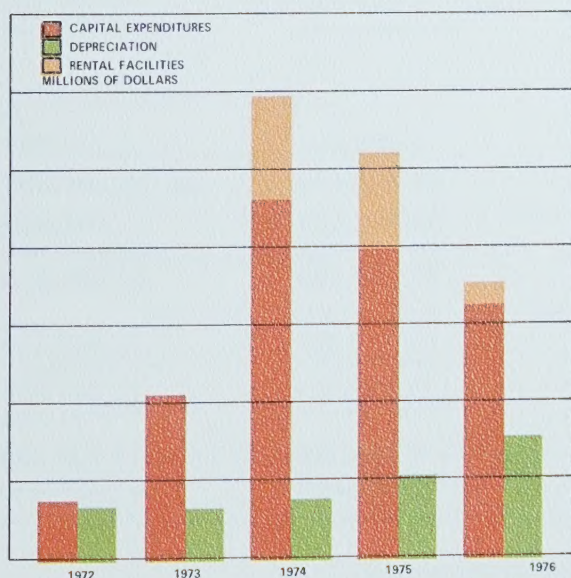
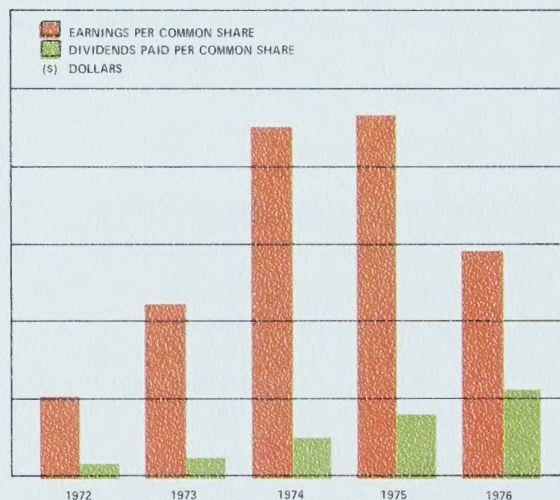
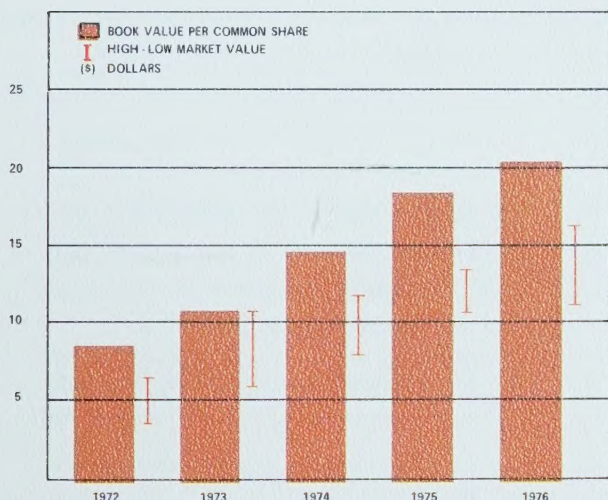
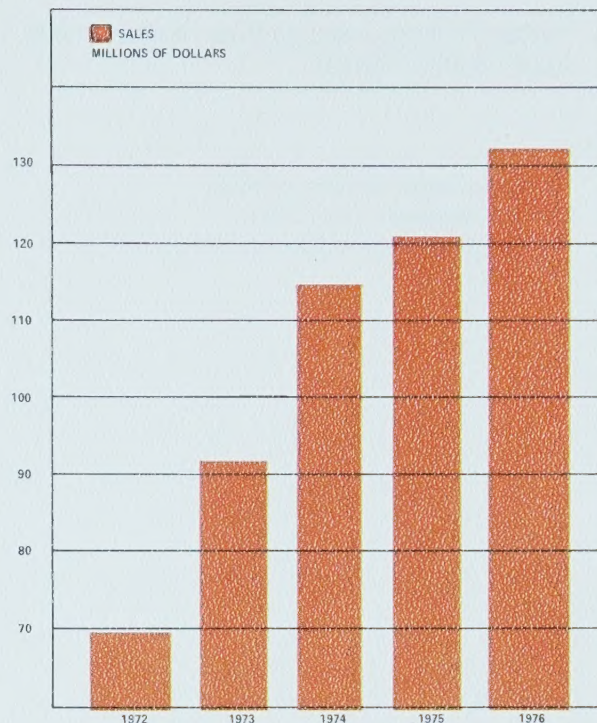
The Company continued to be in a sound financial position. Working Capital at year end was \$25.7 Million, an increase of \$1.4 Million over 1975, and resulted in a Working Capital Ratio of 1.80. Cash Flow from operations was \$7.7 Million versus \$11.3 Million in 1975. Shareholders' Equity per share increased by \$1.82 to \$20.49 per share.

Depreciation for the year was \$1.5 Million. This provision increased by \$500,000 from 1975 and reflects the Company's increased scale of capital spending.

Inventories at December 31, 1976 were \$29.4 Million, unchanged from 1975. If 1976 inflationary costs are taken into consideration, the actual level of physical inventories at December 31, 1976 is lower than a year earlier.

Long-term debt remained at \$4.0 Million, providing scope for additional long-term financing when required.

Dividends paid in 1976 totalled \$1.10 per share, compared with 80¢ in 1975. This is the fifth consecutive year the dividend payment has been increased.





**WESTEEL-ROSCO LIMITED**  
AND SUBSIDIARIES

Consolidated Balance Sheet  
As at December 31, 1976  
(with comparative figures for 1975)

ASSETS

	1976	1975
Current:		
Accounts receivable . . . . .	\$ 28,117,000	\$ 25,916,000
Inventories . . . . .	29,372,000	29,396,000
Prepaid expenses . . . . .	216,000	139,000
Income taxes recoverable . . . . .	233,000	—
Total current assets . . . . .	<u>57,938,000</u>	<u>55,451,000</u>
Other:		
Mortgages receivable . . . . .	<u>942,000</u>	<u>1,032,000</u>
Fixed — at cost:		
Land . . . . .	1,827,000	1,236,000
Buildings . . . . .	14,837,000	13,655,000
Machinery and equipment . . . . .	18,911,000	16,004,000
	<u>35,575,000</u>	<u>30,895,000</u>
Less accumulated depreciation . . . . .	<u>15,774,000</u>	<u>13,948,000</u>
Net fixed assets . . . . .	<u>19,801,000</u>	<u>16,947,000</u>
Total assets	<u>\$ 78,681,000</u>	<u>\$ 73,430,000</u>

The accompanying notes are an integral part of the financial statements.



# LIABILITIES AND SHAREHOLDERS' EQUITY

	1976	1975
Current:		
Bank borrowings (Note 2) . . . . .	\$ 15,369,000	\$ 18,305,000
Account payable and accrued charges . . . . .	14,322,000	10,014,000
Income and other taxes payable . . . . .	287,000	677,000
Deferred income taxes — current . . . . .	2,296,000	2,219,000
Total current liabilities . . . . .	<u>32,274,000</u>	<u>31,215,000</u>
Long-term debt (Note 2) . . . . .	<u>4,012,000</u>	<u>4,000,000</u>
Deferred income taxes — non current . . . . .	<u>2,672,000</u>	<u>2,029,000</u>
Shareholders' equity:		
Capital stock (Note 3) . . . . .	1,573,000	1,573,000
Contributed surplus . . . . . (no transactions during the year)	500,000	500,000
Retained earnings . . . . .	37,650,000	34,113,000
Total shareholders' equity . . . . .	<u>39,723,000</u>	<u>36,186,000</u>
Total liabilities and shareholders' equity . . . .	<u>\$ 78,681,000</u>	<u>\$ 73,430,000</u>

Approved by the Board: W.S. MARTIN, Q.C., Director  
R.M. CALHOUN, Director



**WESTEEL-ROSCO LIMITED**  
AND SUBSIDIARIES

Consolidated Statement of Earnings  
Year ended December 31, 1976  
(with comparative figures for the year 1975)

	1976	1975
Sales . . . . .	<u>\$ 132,529,000</u>	<u>\$ 121,035,000</u>
Cost of sales, selling and administrative expenses before the following . . . . .	<u>118,625,000</u>	<u>101,867,000</u>
Depreciation . . . . .	<u>1,534,000</u>	<u>1,045,000</u>
Interest expense (including, 1976 — \$ 448,891 1975 — \$ 407,261 on long-term debt) . . . . .	<u>2,136,000</u>	<u>1,794,000</u>
	<u>122,295,000</u>	<u>104,706,000</u>
Earnings before income taxes . . . . .	<u>10,234,000</u>	<u>16,329,000</u>
Income taxes:		
Current . . . . .	<u>3,888,000</u>	<u>6,150,000</u>
Deferred . . . . .	<u>678,000</u>	<u>1,080,000</u>
	<u>4,566,000</u>	<u>7,230,000</u>
Earnings for the year . . . . .	<u>\$ 5,668,000</u>	<u>\$ 9,099,000</u>
Earnings per Share: (Note 3) . . . . .	\$ 2.92	\$ 4.69

Consolidated Statement of Retained Earnings  
Year ended December 31, 1976  
(with comparative figures for the year 1975)

	1976	1975
Balance beginning of the year . . . . .	\$ 34,113,000	\$ 26,361,000
Earnings for the year . . . . .	<u>5,668,000</u>	<u>9,099,000</u>
	<u>39,781,000</u>	<u>35,460,000</u>
Deduct:		
Dividends declared . . . . .	<u>2,131,000</u>	<u>1,163,000</u>
Vacation pay prior years, net of tax . . . . .	<u>—</u>	<u>184,000</u>
	<u>2,131,000</u>	<u>1,347,000</u>
Balance, end of year . . . . .	<u>\$ 37,650,000</u>	<u>\$ 34,113,000</u>

The accompanying notes are an integral part of the financial statements.



**WESTEEL-ROSCO LIMITED**  
AND SUBSIDIARIES

Consolidated Statement of Changes in Financial Position  
Year Ended December 31, 1976  
(with comparative figures for the year 1975)

	1976	1975
<b>FUNDS PROVIDED:</b>		
Earnings for the year . . . . .	\$ 5,668,000	\$ 9,099,000
Add items not requiring the use of funds:		
Depreciation . . . . .	1,534,000	1,045,000
Deferred income taxes — non current . . . . .	592,000	1,175,000
Gain on disposal of fixed assets . . . . .	(49,000)	(30,000)
Funds from operations . . . . .	7,745,000	11,289,000
Proceeds from disposal of fixed assets . . . . .	139,000	129,000
Decrease in Mortgages receivable . . . . .	90,000	20,000
	<u>7,974,000</u>	<u>11,438,000</u>
<b>FUNDS APPLIED:</b>		
Purchase of fixed assets . . . . .	3,535,000	5,249,000
Decrease in long-term debt . . . . .	70,000	—
Acquisition of subsidiary net of working capital acquired . . . . .	810,000	—
Dividends:		
Paid . . . . .	2,131,000	1,550,000
Declared in 1974 and paid in 1975 . . . . .	—	(387,000)
Vacation pay prior years, net of tax . . . . .	—	184,000
	<u>6,546,000</u>	<u>6,596,000</u>
Increase in consolidated working capital . . . . .	<u>\$ 1,428,000</u>	<u>\$ 4,842,000</u>

AUDITORS' REPORT

To the Shareholders of  
Westeel-Rosco Limited:

We have examined the consolidated balance sheet of Westeel-Rosco Limited as at December 31, 1976 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, HASKINS & SELLS  
Chartered Accountants

February 18, 1977  
Toronto, Ontario



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 1976

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. The operating subsidiaries are P. Graham Bell Associates Limited, W R L Properties Ltd., Westeel Inc. and Northern Culverts and Metal Products Ltd.

#### INVENTORIES

Finished goods and work in progress are stated at standard cost, or net realizable value if that is lower. Standard cost approximates current production cost and includes labour, material, depreciation and other overhead. Raw materials and supplies are stated at the lower of cost or replacement cost.

#### REVENUE RECOGNITION

Revenues from the sale of products are recognized when title passes to the customer, which generally coincides with their delivery and acceptance. Revenues from supply-and-install contracts are recognized on the percentage of completion basis.

#### DEPRECIATION — MANUFACTURING AND OFFICE FACILITIES

Depreciation is computed at rates based upon the estimated useful lives of classes of assets, generally using the straight-line method for assets acquired after 1972 and the declining-balance method for assets acquired prior to 1973. One-half of the applicable depreciation rate is used in the years that assets are disposed of or put into use, except for tooling and dies.

Gains or losses on the disposal of fixed assets are included in the Statement of Earnings.

The rates of depreciation used for the major classes of assets are as follows:

	Straight-Line Rates	Declining-Balance Rates
Buildings	2½% and 5%	5% and 10%
Machinery & Equipment	10%	20%
Automobiles	25%	30%
Tooling and Dies	100%	100%

#### DEPRECIATION — RENTAL BUILDINGS

Depreciation is computed on a 5% forty-year sinking fund basis.

#### INCOME TAXES

The Company accounts for income taxes using the deferral method of tax allocation, under which income taxes are provided in the year transactions affect net income regardless of when such items are recognized for tax purposes. Timing differences giving rise to deferred income taxes relate primarily to:

Depreciation — where the cumulative amounts claimed for tax purposes exceed the amount of depreciation booked.

Accounts receivable holdbacks and profit on uncompleted contracts — which are not taxed until either the holdback is actually received or the contract is completed.

### 2. LONG-TERM DEBT AND BANK BORROWINGS

Bank term loan, payable in 1978 — \$4,012,000

Accounts receivable are pledged as security for current bank borrowings and bank term loan.

### 3. CAPITAL STOCK

	1976	1975
Common shares without par value		
Authorized	8,000,000	8,000,000
Issued and fully paid, 1,938,416 common shares	\$1,573,000	\$1,573,000

### 4. PENSION PLAN FOR SALARIED EMPLOYEES

An actuarial computation as of December 31, 1975 revealed an unfunded liability to the Company's pension plan amounting to approximately \$250,000. In 1976 the Company funded and charged to earnings approximately half of this amount.

### 5. REMUNERATION OF DIRECTORS AND OFFICERS

Expenses include the remuneration of directors and officers as follows:

	1976	1975
Remuneration of Directors, as Directors	\$ 53,800	\$ 45,600
Remuneration of Officers, as Officers	\$ 532,102	\$ 521,617
Number of Directors	12	10
Number of Officers	11	11
Number of Officers who are Directors	5	2

### 6. SUBSEQUENT EVENT

Subsequent to December 31, 1976 the Company entered into an agreement to purchase all the assets and business of a company for a cash consideration not to exceed \$500,000.

### 7. ANTI-INFLATION LEGISLATION

The Company is subject to the provisions of the Anti-Inflation Act and Regulations relating to the restraint of prices, profit margins, compensation and dividends. The Company's annual dividend rate is limited to \$1.17¼ per share in the year ending October 13, 1977.

As a result of a loss year in its five-year base, and despite its lower earnings for the current year, the Company had apparent excess revenue, as at December 31, 1976, of approximately \$500,000, although it was in compliance with the legislation in all other material respects. The legislation changed effective January 1, 1977 to reduce the inequities to many companies in the 5-year base formula.

Although the accounting guidelines of the Canadian Institute of Chartered Accountants suggest that a provision be made in the accounts with respect to such excess revenue, in the opinion of management, such a provision is not required as the excess will be absorbed in its next compliance year due to increasing costs and price reductions resulting from normal market pressures.

### 8. BRITISH COLUMBIA COMPANIES ACT

The consolidated financial statements of the Company have been prepared in accordance with the Canada Corporations Act and do not necessarily comply with every provision of Sections 196, 199 and 200, and every regulation under Section 198 of the British Columbia Companies Act.



## TEN YEAR COMPARISON

(in thousands of dollars — except per share statistics)

YEAR	SALES	EARNINGS (LOSS) BEFORE INCOME TAXES	% EARNINGS (LOSS) TO SALES BEFORE TAXES	INCOME TAXES (RECOVERIES)	EARNINGS (LOSS)	PER COMMON SHARE		
						NET EARNINGS *	DIVIDENDS *	BOOK VALUE*
1976	\$ 132,529	\$ 10,234	7.7 %	\$ 4,566	\$ 5,668	\$ 2.92	\$ 1.10	\$ 20.49
1975	121,035	16,329	13.5 %	7,230	9,099	4.69	.80	18.67
1974	114,996	15,681	13.6 %	7,300	8,770	4.52	.50	14.67
1973	92,187	7,947	8.6 %	3,558	4,389	2.26	.25	10.84
1972	69,724	3,462	5.0 %	1,485	1,977	1.02	.18	8.83
1971	69,824	3,524	5.1 %	1,741	1,919	.99	.15	7.99
1970	69,958	(83)	(.1 %)	(47)	(36)	(.02)	.15	7.15
1969	72,469	1,621	2.2 %	860	970	.50	.15	7.32
1968	68,989	639	.9 %	372	310	.16	.15	6.97
1967	60,256	1,449	2.4 %	747	751	.39	.15	6.96

YEAR	CAPITAL EXPEN- DITURES	ANNUAL DEPRE- CIATION	NET FIXED ASSETS	TOTAL ASSETS	WORKING CAPITAL	WORKING CAPITAL RATIO	BANK LONG TERM DEBT	EARNINGS (LOSS) AS % OF JAN. 1 SHAREHOLDERS' EQUITY
1976	\$ 3,535	\$ 1,534	\$ 19,801	\$ 78,681	\$ 25,664	1.80	\$ 4,012	15.7 %
1975	5,249	1,045	16,947	73,430	24,236	1.78	4,000	32.0 %
1974	5,970	729	12,842	64,403	19,394	1.62	4,000	41.7 %
1973	2,112	692	7,895	48,370	16,541	1.72	4,000	25.6 %
1972	776	694	6,748	40,724	14,092	1.74	4,333	12.8 %
1971	323	720	6,749	36,553	12,360	1.75	4,500	13.9 %
1970	702	842	7,468	40,481	10,324	1.48	4,698	(0.3 %)
1969	1,330	892	7,752	41,855	10,720	1.48	4,894	7.2 %
1968	2,028	943	8,543	41,440	10,132	1.46	5,103	2.3 %
1967	652	789	7,532	33,803	11,380	1.79	5,312	5.8 %

### NOTES: \*

Common shares outstanding — 1971 — 1976 1,938,416  
 1967 — 1970 1,936,816

Per share data and shares outstanding have been adjusted to reflect a two for one stock split effective May 7, 1973 and March 19, 1975.

Valuation day value of shares at December 22, 1971 for purposes of calculating capital gain taxes \$3.47.



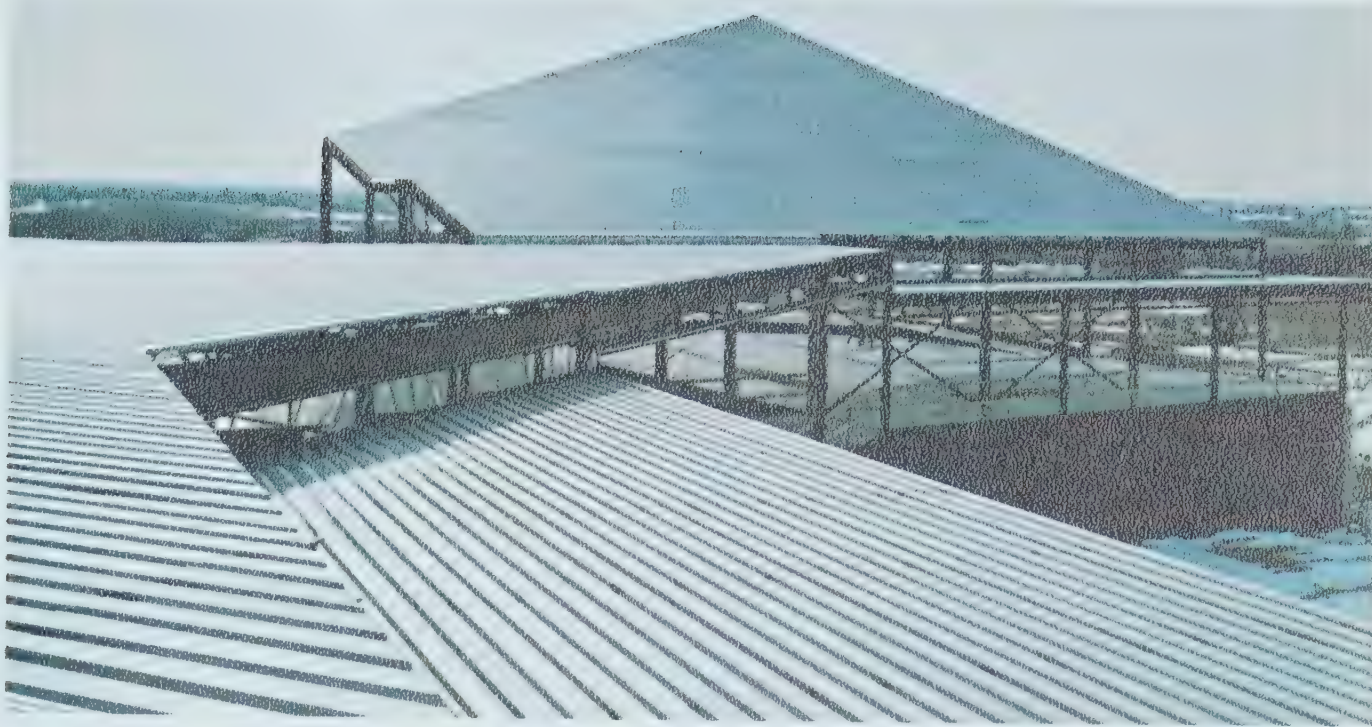


This pre-engineered systems building by the Stran-Steel Building Systems Division exemplifies "the other way to build".

(Below) Rugged panels of Westeel-Rosco Tunnel Liner ensure the safety of workmen at the working face regardless of soil conditions.

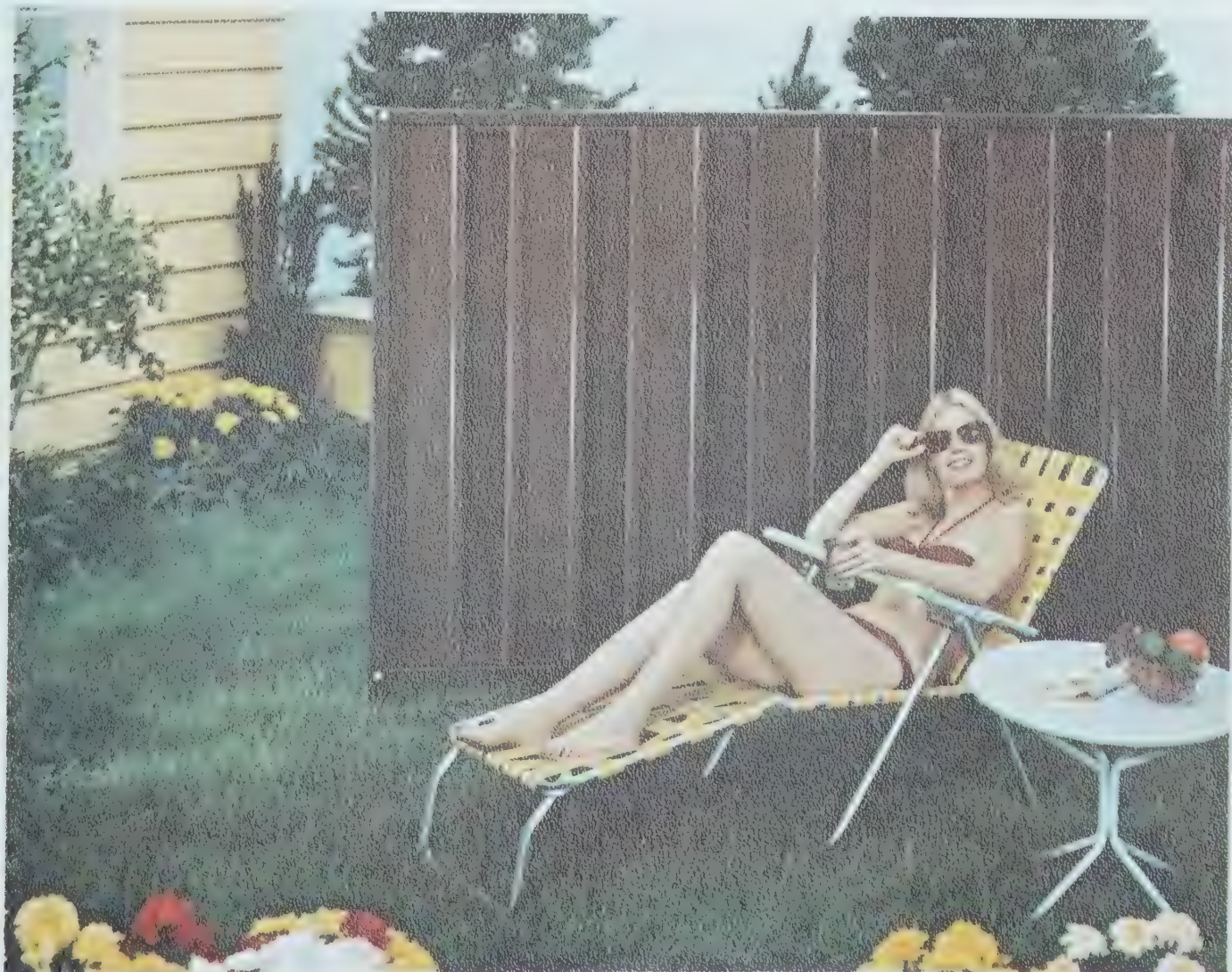




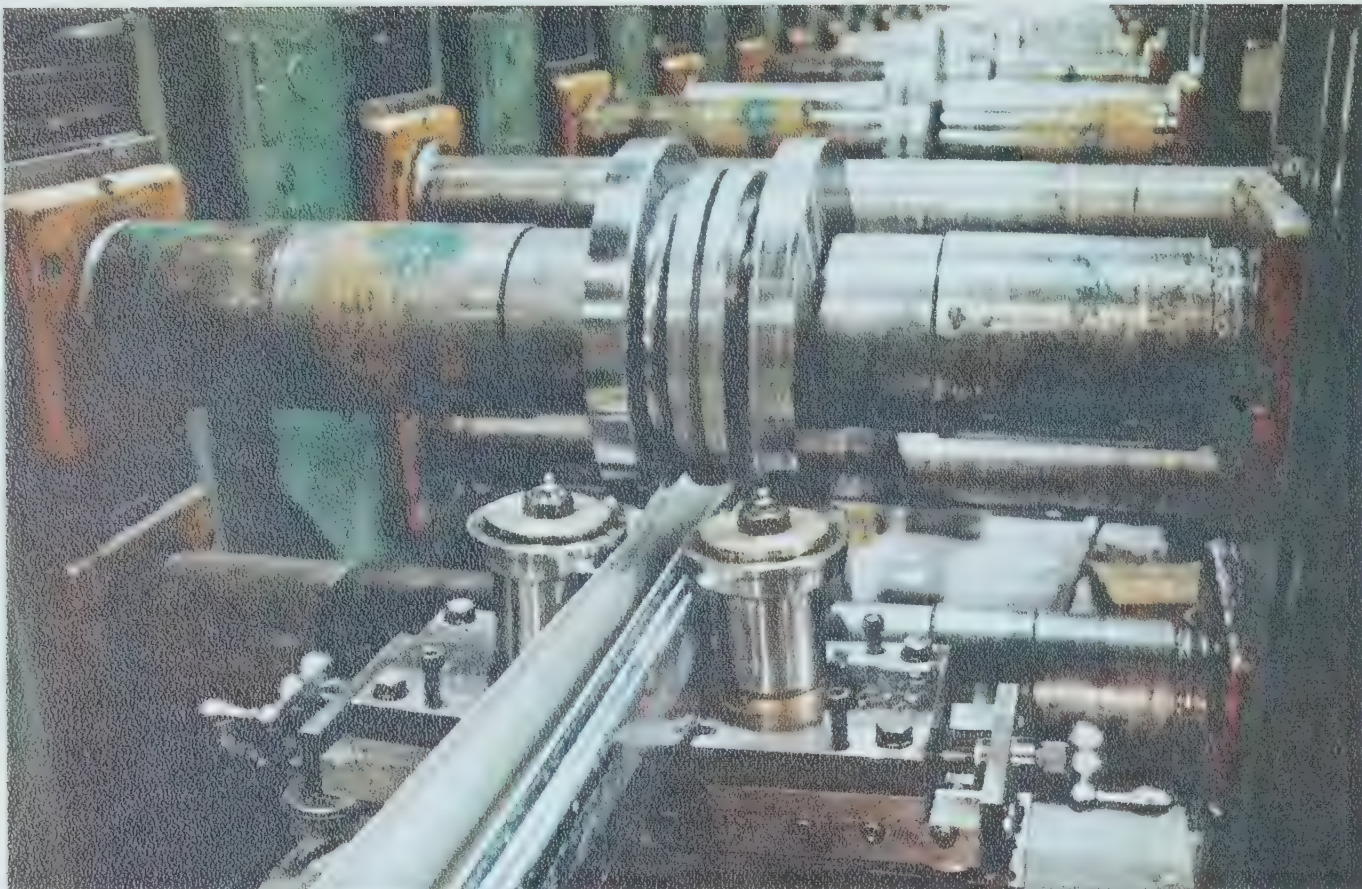


Steel roof deck by Westeel-Rosco allows a dramatic architectural treatment on the Civic Centre in Whitby.

(Below) Leisure-Time Residential Steel Fence is pre-finished to endure for years of use.







Westeel-Rosco roll formers shape steel sheets to meet the demands of Canadian industry.

**FOR BUILDING CONSTRUCTION:** Steel Decking for Roofs – *plain & acoustic* • Steel Decking for Floors – of designs *for use with concrete and to accommodate utility services and electrical wiring* • Surface Panels for Walls – *pre-painted steel or aluminum, insulated or non-insulated* • Interior Partitions – *wall dividers, for offices, washrooms, shower and dressing rooms* • Steel Framing for Doorways • Steel Doors • Steel Buildings – *for commercial & industrial use* • Porcelain Enamel Products – *column covers, panels for under roof eaves, etc. chalkboards* • Heating Pipe – *for perimeter heating systems* • Spiral Ventilation Pipe

**FOR ROAD CONSTRUCTION & DRAINAGE:** Corrugated Steel Drainage Pipe – *in full range of sizes, shapes and coating finishes* • Steel Decking for Bridges – *for concrete forms or structural members of bridge* • Earth Retaining Structures – *steel bin type systems to control erosion of earth embankments; interlocking panel type, for trench walls, lakeshores, etc.* • Highway Guardrail – *safety railing to define road limits and protect motorists* • Highway Fencing – *provides privacy and noise abatement for adjacent residents* • Traffic Control Signs and Mounting Posts • Liner Plates for Tunnel Excavations

**FOR THE FARM:** Steel or Aluminum Sheets for Farm Building Roofing and Siding – *plain or prepainted* • Circular Steel Grain Storage Bins • Circular Steel Vertical Tanks for Storage of Bulk Feed • Grain Handling, Testing, Drying & Aeration Equipment • Watering Troughs for Livestock • Steel Farm Gates • Grain or Equipment Storage Buildings • Pipe Framing for Water Well Openings • Barn Ventilators • Boxes & Lifting Hoists for Trucks – *for haulage of grain and livestock* • Fuel Storage Tanks & Elevated Stands • Portable Water Tanks • Chemical Sprayer Tanks • Liquid Fertilizer Storage Tanks • Portable Fuel Tanks

**FOR INDUSTRY:** Propane Tanks • Fuel Pumps • Underground Fuel Storage Tanks • Air Receiver Tanks – *for industrial compressors* • Tanks for Mineral & Brine Storage • Special Tanks for Various Applications • Industrial Shelving & Storage Racking • Clothes Lockers • Security Enclosure Partitions • Flooring for Mezzanine Areas • Complete Custom Sheetmetal & Plate Fabrication • Complete Metal Service – *shearing, slitting, etc.* • Complete Metal Supply – *in coil and/or sheet form*

**FOR THE HOME:** Eavestrough, Rain Pipes & Fittings –*galvanized or prepainted* • Prepainted Residential Fencing • Fuel Oil Tanks • Hot Water Storage Tanks • Earth Retainers for Below Ground Windows.



# WESTEEL-ROSCO LIMITED



## BRANCHES AND DIVISIONS

### MARITIME PROVINCES

Halifax

### QUEBEC

Quebec City  
Montreal

### ONTARIO

Ottawa  
Toronto  
London  
Sudbury  
Thunder Bay

### PRAIRIE PROVINCES

Winnipeg  
Saskatoon  
Regina  
Edmonton  
Calgary

### BRITISH COLUMBIA

Vancouver  
Prince George  
Terrace

### UNITED STATES

Fargo, North Dakota

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### CUBIC STORAGE SYSTEMS DIVISION

Etobicoke, Ontario  
Montreal, P.Q.

### STRAN-STEEL BUILDING SYSTEMS DIVISION

Richmond Hill, Ontario

P. GRAHAM BELL ASSOCIATES LIMITED

Georgetown, Ontario







## NEWS FROM OUR CUBIC STORAGE SYSTEMS DIVISION

The Cubic Storage Systems Division of Westeel-Rosco has been awarded a contract for the storage racking system of the new Simpsons-Sears Limited automated warehouse in Regina, which constitutes the largest single project undertaken by this Division.

This facility will reach an unusual height of 81 feet. The warehouse space, in excess of one million cubic feet, will be provided with heavy-duty cubic racking to accommodate over 26,000 pallets of general merchandise and over 4,000 rolls of carpet.

This storage racking system was specifically designed for both storage and to serve as the structural frame of the building. The roof decking and exterior wall cladding will be installed directly on the storage racking structure.

The Westeel-Rosco Design and Engineering Department has been deeply involved in the design of the racking system to establish the very close tolerances essential to the operation of the automated equipment. This massive racking installation will be served by computer-controlled automatic stacker cranes which will exchange loads with a conveyor system linked to an adjacent low-height warehouse and truck bay. When in operation, the entire warehouse area will operate without personnel, and lighting will be provided only to service equipment.

Roofing and siding also will be supplied and erected by Westeel-Rosco's Building Products Division.

Automated warehousing of this type is growing in popularity in Canada and throughout the world both as a means of reducing handling costs and increasing production.

## INTERIM REPORT TO SHAREHOLDERS

JUNE 30, 1976

Sales for the first half of 1976 were \$58.4 Million, an increase of 6% over the comparable period of 1975. Earnings were \$2.6 Million or \$1.36 per share compared with \$2.07 per share last year.

The decline in earnings is attributable to all product lines and results from increased raw material and other costs that could not be fully recovered in higher selling prices due to competitive market conditions and anti-inflation controls.

The acquisition of Northern Culverts and Metal Products Ltd., announced in the 1975 Annual Report, was completed on June 28, 1976. The earnings of this wholly owned subsidiary have been consolidated in the report from the effective date of the acquisition on December 1, 1975.

Collective labour agreements were recently signed in Toronto, Edmonton and Winnipeg for plants representing 46% of hourly-rated employees. No major agreements remain to be negotiated in 1976.

Concern must be expressed for construction activity in the next six months, due to indicated deferral of capital spending by industry and utilities on major projects and a shortage of funds available for municipal and other governmental projects.

Despite a projection of higher sales for the full year 1976, it is anticipated earnings will be lower than in 1975. The Company's order backlog at June 30th was marginally higher than at the same time last year.

R.M. Calhoun,  
President.

August 9, 1976.





# INTERIM REPORT TO SHAREHOLDERS

## CONSOLIDATED STATEMENT OF EARNINGS (unaudited)

(\$ 000's)

	Three Months Ended		Six Months Ended	
	June 30/76	June 30/75	June 30/76	June 30/75
Sales . . . . .	\$ 34,551	\$ 31,816	\$ 58,372	\$ 55,194
Cost of sales, selling and administrative expenses before the following: . . . . .	30,472	26,296	51,741	46,221
Depreciation . . . . .	477	288	864	559
Interest expense on long-term debt . . . . .	111	97	216	201
Other interest expense . . . . .	533	387	862	661
	<u>31,593</u>	<u>27,068</u>	<u>53,683</u>	<u>47,642</u>
Earnings before income taxes . . . . .	2,958	4,748	4,689	7,552
Income taxes . . . . .	1,278	2,231	2,057	3,549
Earnings . . . . .	<u>\$ 1,680</u>	<u>\$ 2,517</u>	<u>\$ 2,632</u>	<u>\$ 4,003</u>
Earnings per share . . . . .	\$ 0.87	\$ 1.30	1.36	2.07

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (unaudited)

(\$ 000's)

	Six Months Ended	
	June 30/76	June 30/75
Funds provided:		
Earnings . . . . .	\$ 2,632	\$ 4,003
Add: Depreciation . . . . .	864	559
Deferred income taxes . . . . .	381	305
	<u>3,877</u>	<u>4,867</u>
Funds applied:		
Purchase of fixed assets (net) . . . . .	1,371	2,663
Dividends paid (see note) . . . . .	1,066	387
Increase (decrease) in mortgages receivable . . . . .	(45)	22
Acquisition of subsidiary company net of working capital acquired . . . . .	810	—
	<u>3,202</u>	<u>3,072</u>
Increase in working capital . . . . .	<u>\$ 675</u>	<u>\$ 1,795</u>

### Note: 1975 Dividends Paid

On December 11, 1974 a dividend of \$387,000 was declared. This dividend declaration for the 1st quarter of 1975 was accrued in the 1974 financial statements, but paid on March 14, 1975 and, therefore, not included in 1975 figure.